UNIFORM NATIONAL CURRENCY

AND

BANKING ASSOCIATION BILL,

PASSED BY THE SENATE FEBRUARY 12, 1863,

TOGETHER WITH

EXTRACTS FROM REPORTS OF SECRETARY OF THE TREASURY

RELATING TO

UNIFORM CURRENCY.

A BILL to provide a national currency, secured by a pledge of the United States stocks, and to provide for the circulation and redemption thereof.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be established in the Treasury Department a separate bureau, which shall be charged with the execution of this and all other laws that may be passed by Congress respecting the issue and regulation of a national currency secured by United States bonds. The chief officer of the said bureau shall be denominated the Comptroller of the Currency, and shall be under the general direction of the Secretary of the Treasury. He shall be appointed by the President, on the nomination of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years unless sooner removed by the President, by and with the advice and consent of the Senate; he shall receive an annual salary of five thousand dollars; he shall have a competent deputy, appointed by the Secretary, whose salary shall be two thousand five hundred dollars, and who shall possess the power and perform the duties attached by law to the office of Comptroller during a vacancy in such office and during his absence or inability; he shall employ, from time to time, the necessary clerks to discharge such duties as he shall direct, which clerks shall be appointed and classified by the Secretary of the Treasury in the manner now provided by law. Within fifteen days from the time of notice of his appointment the Comptroller shall take and subscribe the oath of office prescribed by the Constitution and laws of the United States; and he shall give to the United States a bond in the penalty of one hundred thousand dollars, with not less than two responsible freeholders as sureties, to be approved by the Secretary of the Treasury, conditioned for the faithful discharge of the duties of his office. The Deputy Comptroller so appointed shall also take the oath of office prescribed by the Constitution and laws of the United States, and shall give a like bond in the penalty of fifty thousand dollars. The Comptroller and Deputy Comptroller shall not, either directly or indirectly, be interested in any association issuing national currency under the provisions of this act.

SEC. 2. *And be it further enacted*, That the Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall devise a seal with suitable inscriptions for his office, a description of which, with a certificate of approval by the Secretary of the Treasury, shall be filed in the office of the Secretary of State with an impression thereof, which shall thereupon become the seal of office of the Comptroller of the Currency, and the same may be renewed when necessary. Every certificate, assignment, and conveyance executed by the Comptroller, in pursuance of any authority conferred on him by law, and sealed with his seal of office, shall be received in evidence in all places and courts whatsoever; and all copies of papers in the office of the Comptroller, certified by him and authenticated by the said seal, shall in all cases be evidence equally and in like manner as the original. An impression of such seal directly on the paper shall be as valid as if made on wax or wafer.

SEC. 3. *And be it further enacted*, That there shall be assigned to the Comptroller of the Currency by the Secretary of the Treasury suitable rooms in the treasury building for conducting the business of the Currency Bureau, in which shall be safe and secure fire-proof vaults, in which it shall be the duty of the Comptroller to deposit and safely keep all the plates and other valuable things belonging to his department; and the Comptroller shall from time to time furnish the necessary furniture, stationery, fuel, lights, and other proper conveniences for the transaction of the said business.

SEC. 4. *And be it further enacted*, That the term "United States bonds," as used in this act, shall be construed to mean all coupon and registered bonds now issued, or that may hereafter be issued, on the faith of the United States by the Secretary of the Treasury in pursuance of law.

SEC. 5. *And be it further enacted*, That associations for carrying on the business of banking may be formed by any number of persons, not less in any case than five.

SEC. 6. *And be it further enacted*, That persons uniting to form such an association shall, under their hands and seals, make a certificate which shall specify—

First. The name assumed by such association.

Second. The place where its operations of discount and deposit are to be carried on, designating the State, Territory, or district, and also the particular city, town, or village.

Third. The amount of its capital stock, and the number of shares into which the same shall be divided; which capital stock shall not be less than fifty thousand dollars; and in cities whose population is over ten thousand persons the capital stock shall not be less than one hundred thousand dollars.

Fourth. The names and places of residence of the shareholders, and the number of shares held by each of them.

Fifth. The time when such association shall commence.

Sixth. A declaration that said certificate is made to enable such persons to avail themselves of the advantages of this act.

The said certificate shall be acknowledged before a judge of some

court of record or a notary public, and the acknowledgment thereof, certified under the seal of such court or notary, and shall be transmitted, together with a copy of the articles of association which shall have been adopted, to the Comptroller of the Currency, who shall record and carefully preserve the same in his office. Copies of such certificate, duly certified by the Comptroller, and authenticated by his seal of office, shall be legal and sufficient evidence in all courts and places within the United States, or the jurisdiction of the government thereof, of the existence of such association, and of every other matter or thing which could be proved by the production of the original certificate.

SEC. 7. *And be it further enacted*, That at least thirty per centum of the capital stock of such association shall be paid in at the time of the commencement of its banking business, and the remainder of the capital stock of such association shall be paid in instalments of at least ten per centum each on the whole amount to which the association shall be limited, as frequently as one instalment at the end of each succeeding two months from the time of the commencement of its banking operations, until the whole of the capital stock shall be paid in.

SEC. 8. *And be it further enacted*, That if any shareholder, or his assignee, shall fail to pay any instalment on the stock when the same is required by the foregoing section to be paid, the directors of such association may sell the stock held by such delinquent shareholder, at public auction, having given three weeks' previous notice thereof in a newspaper published and of general circulation in the city where the association is located, if the same be located in a city, and if not so located, then in a newspaper printed, or of general circulation, in the county where the same is located, to any person who will pay the highest price therefor, and not less than the amount then due thereon, with the expenses of advertisement and sale; and the excess, if any, shall be paid to the delinquent shareholder. If no bidder can be found who will pay for such stock the amount due thereon to the association, and the costs of advertisement and sale, the amount previously paid shall be forfeited to the association, and such stock may subsequently be sold as the directors may order.

SEC. 9. *And be it further enacted*, That whenever a certificate shall have been transmitted to the Comptroller of the Currency, as provided in this act, and the association transmitting the same shall notify the Comptroller that at least thirty per centum of its capital stock has been paid as aforesaid, and that such association has complied with all the provisions of this act required to be complied with before such association shall be authorized to commence the business of banking, and that such association is desirous of commencing such business, the Comptroller shall immediately proceed, in such manner as he shall by general rules prescribe, to examine the condition of such association; to ascertain especially the amount of money paid in on account of its capital stock; the name and place of residence of each of the directors of such association, and the amount of the capital stock of which each is the *bona fide* owner, and generally whether

such association has complied with all the requirements of this act to entitle it to engage in the business of banking; and shall cause to be made, and attested by the oaths of a majority of the directors and by the president or cashier of such association, a statement of all the facts necessary to enable the Comptroller to determine whether such association is lawfully entitled to commence the business of banking under this act.

SEC. 10. *And be it further enacted*, That if, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association, or otherwise, it shall appear that such association is lawfully entitled to commence the business of banking, the Comptroller shall give to such association a certificate under his hand and official seal, showing that such association has complied with all the provisions of this act required to be complied with before being entitled to commence the business of banking under it, and that such association is authorized to commence said business accordingly; and it shall be the duty of such association to cause said certificate to be published in some newspaper, published in the city or county where such association is located, for at least sixty days next after the issuing thereof: *Provided*, That if no newspaper is published in such city or county, such certificate shall be published as the Comptroller of the Currency shall direct.

SEC. 11. *And be it further enacted*, That every association formed pursuant to the provisions of this act may make and use a common seal, and shall have succession by the name designated in its articles of association for and the period limited therein, not, however, exceeding twenty years from the passage of this act; by such name may make contracts, sue and be sued, complain and defend in any court of law or equity as fully as natural persons, and may make by-laws, approved by the Comptroller of the Currency, not inconsistent with the laws of the United States or the provisions of this act, for the election of directors, the management of its property, the regulation of its affairs, and for the transfer of its stock; and shall have power to carry on the business of banking by obtaining and issuing circulating notes in accordance with the provisions of this act; by discounting bills, notes, and other evidences of debt; by receiving deposits; by buying and selling gold and silver bullion, foreign coins, and bills of exchange; by loaning money on real and personal security in the manner specified in their articles of association for the purposes authorized by this act, and by exercising such incidental powers as shall be necessary to carry on such business; to choose one of their number as president of such association, and to appoint a cashier and such other officers and agents as their business may require; and to remove such president, cashier, officers, and agents at pleasure, and appoint others in their place; and their usual business shall be transacted in banking offices located at the places specified respectively in its certificate of association, and not elsewhere.

SEC. 12. *And be it further enacted*, That the shares of associations

formed under this act shall be deemed personal property, and shall be transferable on the books of the association in such manner as may be prescribed in the by-laws or articles of association; and every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all the rights and liabilities of the prior holder of such shares; and no change shall be made in the articles of association by which the rights, remedies, or security of the existing creditors of the association shall be impaired. For all debts contracted by such association for circulation, deposit, or otherwise, each shareholder shall be liable to the amount at their par value of the shares held by him in addition to the amount invested in such shares.

SEC. 13. *And be it further enacted*, That it shall be lawful for any association formed under this act. by its articles of association, to provide for an increase of its capital from time to time as may be deemed expedient; but no such increase shall be valid until the increased capital shall be paid in and notice thereof shall have been transmitted to the Comptroller of the Currency and his certificate obtained specifying the amount of such increase of capital stock, and that the same has been duly paid to such association.

SEC. 14. *And be it further enacted*, That it shall be lawful for any such association to purchase, hold, and convey real estate as follows:

First. Such as shall be necessary for its immediate accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for loans made by such association, or for moneys due thereto.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by such association.

Such association shall not purchase or hold real estate in any other case or for any other purpose than as specified in this section.

SEC. 15. *And be it further enacted*, That every association, after having complied with the provisions of this act preliminary to the commencement of banking business under its provisions, shall transfer and deliver to the Treasurer of the United States any United States bonds bearing interest, to an amount not less than one-third of the capital stock paid in, which bonds shall be deposited with the Treasurer of the United States, and by him safely kept in his office until the same shall be otherwise disposed of, in pursuance of the provisions of this act.

SEC. 16. *And be it further enacted*, That upon the making of any such transfer and delivery, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered and countersigned as hereinafter provided, equal in amount to ninety per centum of the current market value of the United States bonds so transferred and delivered, but not exceeding the par value thereof, if bearing interest at the rate of six per centum, or of equivalent United States bonds bearing a less rate of interest; and at no time shall the total

amount of such notes, issued to any such association, exceed the amount at such time actually paid in of its capital stock.

SEC. 17. *And be it further enacted*, That the entire amount of circulating notes to be issued under this act shall not exceed three hundred millions of dollars. One hundred and fifty millions of which sum shall be apportioned to associations in the States, in the District of Columbia, and in the Territories, according to representative population, and the remainder shall be apportioned by the Secretary of the Treasury among associations formed in the several States, in the District of Columbia, and in the Territories, having due regard to the existing banking capital, resources, and business, of such States, District, and Territories.

SEC. 18. *And be it further enacted*, That, in order to furnish suitable notes for circulation, the Comptroller of the Currency is hereby authorized and required, under the direction of the Secretary of the Treasury, to cause plates to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and to have printed therefrom and numbered, such quantity of circulating notes, in blank, of the denominations of five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, and one thousand dollars, as may be required to supply, under this act, the associations entitled to receive the same; which notes shall express upon their face that they are secured by United States bonds, deposited with the Treasurer of the United States and issued under the provisions of this act, which statement shall be attested by the written or engraved signatures of the Treasurer and Register, and by the imprint of the seal of the treasury; and shall also express upon their face the promise of the association receiving the same, to pay on demand, attested by the signatures of the president or vice-president and cashier; and the said notes shall bear such devices and such other statements, and shall be in such form, as the Secretary of the Treasury shall, by regulation, direct.

SEC. 19. *And be it further enacted*, That the plates and special dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the provisions of this act, respecting the procuring of such notes, shall be audited and paid as contingent expenses of the Treasury Department; and for the purpose of reimbursing the same, and all other expenses incurred under this act, and in lieu of all taxes upon the circulation authorized by this act, or upon the bonds deposited for security of the same, such association organized under this act shall semi-annually, on the first days of January and July, after its organization, pay to the Comptroller of the Currency, in lawful money of the United States, one per centum on the amount of circulating notes received by such association, and in default thereof the Treasurer of the United States is hereby authorized to reserve and retain one per centum on the amount of said bonds so deposited, at each semi-annual payment of interest thereon; and all sums so reserved and retained shall be paid into the treasury under the direction of the Sectetary, and every

bank, banking association, or corporation not organized under the provisions of this act, issuing notes calculated or intended to circulate as money, shall, on the first day of July next, and regularly on the first days of January and July thereafter, make and deliver to the Comptroller of the Currency a true and accurate return of the gross amount of notes issued by it, whether in circulation, or in its vaults, or on deposit elsewhere; and in default of any such return, the bank, banking association, or corporation so failing to make return shall pay to the United States a penalty of two per centum upon its entire capital stock, to be recovered, for the use of the United States, in any court of competent jurisdiction.

SEC. 20. *And be it further enacted*, That after any such association shall have caused its promise to pay such notes on demand to be signed by the president or vice-president and cashier thereof, in such manner as to make them obligatory promissory notes, payable on demand, at its place of business, such association is hereby authorized to issue and circulate the same as money; and the same shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except for duties on imports, and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on public debt; and no such association shall issue post notes or any other notes to circulate as money than such as are authorized by the foregoing provisions of this act.

SEC. 21. *And be it further enacted*, That all transfers of United States bonds which shall be made by any association as security for circulating notes under the provisions of this act, shall be made to the Treasurer of the United States, with a memorandum written or printed on the certificate of such bonds, and signed by the cashier or some other officer of the association making the deposit, stating that it is held in trust for the association on whose behalf such transfer is made, and as security for the redemption and payment of the circulating notes delivered to such association; and no transfer of any such bonds by the Treasurer shall be deemed valid or of binding force and effect, unless sanctioned by the order or request of the Comptroller of the Currency upon the Treasurer. It shall be the duty of the Comptroller of the Currency to keep in his office a book in which shall be entered the name of every association from whose accounts such transfer of bonds is made by the Treasurer, and the name of the party to whom such transfer is made, unless such transfer is made in blank, in which case the fact shall be stated in said book, and in either case the par value of the bonds so transferred shall be entered therein; and it shall be the duty of the Comptroller, immediately upon countersigning and entering the same, to advise by mail the association from whose account such transfer was made the kind of bonds and the amount thereof so transferred.

SEC. 22. *And be it further enacted*, That it shall be the duty of the Comptroller of the Currency to countersign and enter in the book, in the manner aforesaid, every transfer or assignment of any bonds held by the Treasurer presented for his signature; and the Comp-

troller shall have at all times during office hours access to the books of the Treasurer, for the purpose of ascertaining the correctness of the transfer or assignment presented to him to countersign; and the Treasurer shall have the like access to the book above mentioned, kept by the Comptroller, during office hours, to ascertain the correctness of the entries in the same.

SEC. 23. *And be it further enacted*, That it shall be the duty of either the president or cashier of every banking association having stocks deposited in the office of the Treasurer of the United States, once or more in each fiscal year, and at such time or times during the ordinary business hours as said officer or officers may select, to examine and compare the bonds so pledged with the books of said department, and, if found correct, te execute to the said Treasurer a certificate setting forth the different kinds and the amount thereof, and that the same are in the possession and custody of the Treasurer at the date of such certificate. Such examination may be made by an agent of such association, duly appointed in writing for that purpose, whose certificate before mentioned shall be of like force and validity as if executed by such president or cashier.

SEC. 24. *And be it further enacted*, That every association issuing circulating notes under the provisions of this act shall make a quarterly report to the Comptroller of the Currency, commencing on the first day of the quarter of the year next succeeding the organization of such association, and continuing on the first days of each succeeding quarter in every year thereafter, which report shall be verified by the oath or affirmation of the president and cashier, and all wilful false swearing in respect to such report shall be perjury, and subject to the punishment prescribed by law for such offence. The report hereby required shall be in the form prescribed by the Comptroller, and shall contain a true statement of the condition of the association making such report, before the transaction of any business on the morning of the day specified next preceding the date of such report, in respect of the following items and particulars, to wit: Loans and discounts, overdrafts due from banks, amount due from the directors of the association, real estate, specie, cash items, stocks, bonds, and promissory notes, bills of solvent banks, bills of suspended banks, loss and expense account, capital, circulation, profits, amount due to banks, amount due to individuals and corporations other than banks, amount due the Treasurer of the United States, amount due to depositors on demand, amount due not included under either of the above heads. And it shall be the duty of the Comptroller to publish full abstracts of such reports together in two newspapers, to be designated by him for that purpose—one in the city of Washington and the other in the city of New York—exhibiting the items of capital, circulation, and deposits, specie and cash items, public securities and private securities; and the separate report of each association shall be published in a newspaper published in the place where such association is established, or, if there be no newspaper at such place, then in a newspaper published at the capital of the State, at the expense of the association making such report. In addition to the quarterly reports required

by this section, every association located and doing business in the cities cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans shall publish, or cause to be published, on the morning of the first Tuesday in each month, in a newspaper printed in the city in which the association making such report is located, to be designated by the Comptroller of the Currency, a statement, under the oath of the president or cashier, showing the condition of the association making such statement, on the morning of the day next preceding the date of such statement, in respect to the following items and particulars, to wit: average amount of loans and discounts, specie, deposits, and circulation.

SEC. 25. *And be it further enacted*, That if any such association shall at any time fail to redeem, in the lawful money of the United States, any of its circulating notes, when payment thereof shall be lawfully demanded, during the usual hours of business, at the office of such association, the holder may cause the same to be protested, in one package, by a notary public, unless the president or cashier of the association shall offer to waive demand and notice of the protest, and shall, in pursuance of such offer, make, sign, and deliver to the party making such demand an admission in writing, stating the time of the demand, the amount demanded, and the fact of the non-payment thereof; and such notary public, on making such protest, or upon receiving such admission, shall forthwith forward such admission or notice of protest to the Comptroller of the Currency; and after such default it shall not be lawful for the association suffering the same to pay out any of its notes, discount any notes or bills, or otherwise prosecute the business of banking, except to receive and safely keep money belonging to it, and to deliver special deposits: *Provided, however*, That if satisfactory proof be produced to such notary public that the payment of any such notes is restrained by order of any court of competent jurisdiction, such notary public shall not protest the same; and when the holder of such notes shall cause more than one note or package to be protested on the same day, he shall not receive pay for more than one protest.

SEC. 26. *And be it further enacted*, That on receiving notice that any such association has failed to redeem any of its circulating notes, as specified in the next preceding section, the Comptroller of the Currency, with the concurrence of the Secretary of the Treasury, may appoint a special agent, (of whose appointment immediate notice shall be given to such association,) who shall immediately proceed to ascertain whether such association has refused to pay its circulating notes, in the lawful money of the United States, when demanded as aforesaid, and report to the Comptroller the facts so ascertained; and if, from such protest or the report so made, the Comptroller shall be satisfied that such association has refused to pay its circulating notes as aforesaid, and is in default, he shall, within thirty days after he shall have received notice of such failure, declare the United States bonds and securities pledged by such association forfeited to the United States, and the same shall thereupon be forfeited accordingly, and thereupon the Comptroller shall immediately give notice in such manner as the Secretary of the Treasury shall, by general rules or

otherwise, direct, to the holders of the circulating notes of such association to present them for payment at the treasury of the United States, and the same shall be paid as presented; whereupon said Comptroller may, in his discretion, cancel an equal amount of bonds pledged by such association, equal at current market rates, not exceeding par, to the notes paid; and it shall be lawful for the Secretary of the Treasury, from time to time, to make such regulations respecting the disposition to be made of such circulating notes after presentation thereof for payment as aforesaid, and respecting the perpetuation of the evidence of the payment thereof, as may seem to him proper; but all such notes, on being paid, shall be cancelled; and for any deficiency in the proceeds of the bonds pledged by such association, when disposed of as hereinafter specified, to reimburse to the United States the amount so expended in paying the circulating notes of such association, the United States shall have a first and paramount lien upon all the assets of such association, and such deficiency shall be made good out of such assets in preference to any and all other claims whatsoever, except the necessary costs and expenses of administering the same.

SEC. 27. *And be it further enacted*, That whenever the Comptroller shall become satisfied, as in the last preceding section specified, that any such association has refused to pay its circulating notes as therein mentioned, he may, instead of cancelling the United States bonds pledged by such association, as provided in the next preceding section, cause so much of them as may be necessary to redeem the outstanding circulating notes of such association to be sold at public auction in the city of New York, after giving thirty days' notice of such sale to such association.

SEC. 28. *And be it further enacted*, The the Comptroller of the Currency may, if he shall be of opinion that the interests of the United States will be best promoted thereby, sell at private sale any of the stock so transferred to him by such association, and receive therefor either money or the circulating notes of such failing association: *Provided*, That no such bonds shall be sold by private sale for less than the par nor less than the market value thereof at the time of sale: *And provided, further*, That no sales of any such stock, either public or private, shall be complete until the transfer thereof shall have been made with the formalities prescribed in this act.

SEC. 29. *And be it further enacted*, That on becoming satisfied, as specified in this act, that any such association has refused to pay its circulating notes as therein mentioned, and is in default, the Comptroller of the Currency may forthwith appoint a receiver, and require of him such bond and security as he shall deem proper, who, under the direction of the Comptroller, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to such association, and, upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like order, sell all the real and personal property of such association, on such terms as the court shall direct, and such receiver shall pay over all moneys so made

to the Treasurer of the United States, and also make report to the Comptroller of the Currency of all his acts and proceedings. The Comptroller shall thereupon cause notice to be given, by advertisement in such newspapers as he may direct, for three consecutive months, calling on all persons who may have claims against such association to present the same, and to make legal proof thereof. And from time to time the Comptroller, after full provision shall have been first made for refunding to the United States any such deficiency in redeeming the notes of such association as is mentioned in this act, shall make a ratable dividend of the moneys so paid over to him by such receiver on all such claims as may have been so proved or adjudicated in a court of competent jurisdiction; and from time to time, as the proceeds of the assets of such association shall be paid over to him, he shall make further dividends, as aforesaid, on all claims previously proved or adjudicated; and the remainder of such proceeds, if any, shall be paid over to the shareholders of such association, or their legal representatives, in proportion to the stock by them respectively held: *Provided, however*, That if any such association against which proceedings have been so instituted on account of any alleged refusal to redeem its circulating notes as aforesaid, shall deny having failed to do so, such association may, at any time within ten days after such association shall have been notified of the appointment of an agent, as provided in this act, apply to the nearest circuit, or district, or territorial court of the United States, to enjoin further proceedings in the premises; and such court, after citing the Comptroller of the Currency to show cause why further proceedings should not be enjoined, and after the decision of the court or finding of a jury that such association has not refused to redeem its circulating notes, when legally presented, in the lawful money of the United States, shall make an order enjoining the Comptroller, and any receiver acting under his direction, from all further proceedings on account of such alleged refusal.

SEC. 30. *And be it further enacted*, That the bonds transferred to the Treasurer of the United States, as hereinbefore provided, by any banking association for the security of its circulating notes, shall be held exclusively for that purpose, until such notes shall be redeemed, except as provided in this act; but the Comptroller of the Currency may give to any such banking association powers of attorney to receive and appropriate to its own use the interest on the bonds which shall have been so transferred to the Treasurer by it; but such powers shall become inoperative whenever such banking association shall fail to redeem its circulating notes as aforesaid. And said Comptroller may direct the return of any of said bonds to the banking association which transferred the same, upon the surrender to him and the cancellation of a proportionate amount of such circulating notes: *Provided*, That ninety per centum of the current market value of the remaining bonds which shall have been transferred by the banking association offering to surrender such circulating notes shall be equal to the amount of all the circulating notes retained by such banking association: *And provided, further*, That there shall have been no failure by such associa-

tion to redeem its circulating notes, and that there shall have been no other violation by such association of any of the provisions of this act for the security of the creditors of such association; nor shall the Treasurer be required to surrender such bonds in fractional sums of less than one thousand dollars. And if, at any time after said bonds shall be deposited with the Treasurer of the United States, as aforesaid, the market or cash value shall be reduced, the Comptroller of the Currency is hereby authorized to demand and receive the amount of such depreciation in other United States bonds at cash value, or in money, from the association receiving said bills, to be deposited with the Treasurer of the United States, as long as such depreciation continues.

SEC. 31. *And be it further enacted*, That whenever the price of any of the bonds pledged, as aforesaid, for the redemption of the circulating notes of any such banking association shall be at the stock exchange in the city of New York for four consecutive weeks, at a rate less than that at which they shall have been estimated when so pledged, and such depreciation shall not have been made good by a deposit of other bonds or money, it shall be the duty of the Comptroller of the Currency to notify the Treasurer of the United States of such fact, and the payment of interest upon such depreciated bonds shall be suspended; and such interest shall be retained by said Treasurer until the same, when added to the current market value of the bonds so pledged, to be ascertained as before provided, shall be equal to the amount for which such bonds were pledged: *Provided*, That it shall be the duty of the Comptroller of the Currency, at the expiration of every period of three months, to cause the whole of the sums so retained, and then remaining in the treasury of the United States, to be invested in United States bonds, in the name of the Comptroller of the Currency, in trust for the respective associations by which the bonds on which such interest shall have accrued shall have been pledged. And whenever the price of such depreciated bonds at the stock exchange in New York shall rise to the price at which they were pledged, and so remain for four consecutive weeks, such investment shall be assigned to such association, and all accruing interest on such pledged bonds shall thereafter be paid to such association, on demand thereof.

SEC. 32. *And be it further enacted*, That it shall be the duty of the Comptroller of the Currency to receive worn-out or mutilated circulating notes issued by any such banking association, and to deliver in place thereof to such association other blank circulating notes to an equal amount. And such worn-out or mutilated notes, after a memorandum shall have been entered in the proper books, in accordance with such regulations as may be established by the Comptroller, as well as all circulating notes which shall have been paid or surrendered to be cancelled, shall be burned to ashes in presence of three persons, one to be appointed by the Secretary of the Treasury, one by the Comptroller of the Currency, and one by the Treasurer of the United States, under such regulations as the Secretary of the Treasury may prescribe; and in case such notes shall have been delivered to the

Comptroller by an officer or agent of such association, then in the presence, also, of such officer or agent. And a certificate of such burning, signed by the parties so appointed, shall be made in the books of the Comptroller, and a duplicate thereof given to such officer or agent.

SEC. 33. *And be it further enacted*, That it shall be unlawful for any officer acting under the provisions of this act to countersign or deliver to any such association, or to any other company or person, any circulating notes contemplated by this act, except as hereinbefore provided, and in accordance with the true intent and meaning of this act. And any officer who shall violate the provisions of this section shall be deemed guilty of a high misdemeanor, and on conviction thereof shall be punished by fine not exceeding double the amount so countersigned and delivered, and imprisonment not exceeding fifteen years, at the discretion of the court in which he shall be tried.

SEC. 34. *And be it further enacted*, That all fees for protesting the notes issued by any such banking association shall be paid by the person procuring the protest to be made, and such banking association shall be liable therefor; but no part of the stock pledged by such such fees. And all expenses of any preliminary or other examinations banking association, as aforesaid, shall be applied to the payment of into the condition of any association shall be paid by such association; and all expenses of any receivership shall be paid out of the assets of such association before distribution of the proceeds thereof.

SEC. 35. *And be it further enacted*, That the stockholders, collectively, of any such association shall at no time be liable to such association, either as principal debtors or sureties, or both, to an amount greater than three-fifths of the capital stock actually paid in and remaining undiminished by losses or otherwise; nor shall the directors be so liable, except to such amount and in such manner as shall be prescribed by the by-laws of such association, adopted by its stockholders to regulate such liabilities.

SEC. 36. *And be it further enacted*, That the capital stock of any association formed under this act shall be divided into shares of one hundred dollars each, and shall be assignable on the books of the association in such manner as its by-laws shall prescribe; but no shareholder in any association under this act shall have power to sell or transfer any share held in his own right so long as he shall be liable, either as principal, debtor, surety, or otherwise, to the association for any debt which shall have become due and remain unpaid, nor in any case shall such shareholder be entitled to receive any dividend, interest, or profit on such shares so long as such liabilities shall continue; but all such dividends, interests, and profits shall be retained by the association, and applied to the discharge of such liabilities. And no stock shall be transferred without the consent of a majority of the directors while the holder thereof is thus indebted to the association.

SEC. 37. *And be it further enacted*, That no banking association shall take, as security for any loan or discount, a lien upon any part of its capital stock; but the same security, both in kind and amount, shall be required of shareholders as of other persons. And no such bank-

ing association shall be the purchaser or holder of any portion of it capital stock, or of the capital stock of any other incorporated com pany, unless such purchase shall be necessary to prevent loss upon debt previously contracted in good faith, on security which, at th time, was deemed adequate to insure the payment of such a debt, in dependent of any lien upon such stock, or in case of forfeiture o stock for the non-payment of instalments due thereon; and stock s purchased or acquired shall in no case be held by such association s purchasing for a longer period of time than six months, if the sam can, within that time, be sold for what the stock cost.

SEC. 38. *And be it further enacted*, That in all elections of directors and in deciding all questions at meetings of shareholders, each share holder shall be entitled to one vote on each share of stock held b him. Shareholders may vote by proxies duly authorized in writing but no officer, clerk, teller, or bookkeeper of such association shal act as proxy; and no stockholder whose liability is past due and un paid shall be allowed to vote.

SEC. 39. *And be it further enacted*, That the affairs of every suc association shall be managed by not less than five nor more than nin directors, one of whom shall be president of the association. Ever director shall, during his whole term of service, be a citizen of th United States and a resident of the State in which such association i located. At least three-fourths of the directors shall have resided i the State in which such association is located one year next pre ceding their election as directors; and each director shall own, in hi own right, at least one per centum of the capital stock of such associa tion, not exceeding two hundred thousand dollars, and the half of on per centum of its capital if over two hundred thousand dollars. Eac director shall take an oath that he will, so far as the duty devolve on him, diligently and honestly administer the affairs of such associ ation, and will not knowingly violate, or willingly permit to b violated, any of the provisions of this act, and that he is the bon fide owner, in his own right, of the shares of stock standing in hi name on the books of the association, and that the same is no hypothecated, or in any way pledged, as security for any loa obtained or debt owing to the association of which he is a director which oath, subscribed by himself, and certified by the officer befor whom it is taken, shall be immediately transmitted to the Comptrolle of the Currency, and by him filed and preserved in his office.

SEC. 40. *And be it further enacted*, That the directors of any suc association first elected shall hold their places until their successor shall be elected and qualified. All subsequent elections shall be hel annually, on such day in the month of January as the stockholder of said association may prescribe; and the directors so elected shal hold their places for one year, and until their successors are electe and qualified. But any director removing from the State, or ceasing to be the owner of the requisite amount of stock, shall thereby vacat his place. Any vacancy in the board shall be filled by appointmen by the remaining directors. The director so appointed shall hol his place until the next annual election; and if, from any cause, a

election of directors shall not be made at the time appointed, the association shall not for that cause be dissolved, but an election may be held on any subsequent day, thirty days' notice thereof having been given in a newspaper printed, or of general circulation, in the city, town, or county in which the association is located; and if no newspaper is published in such city, town, or county, such notice shall be published in a newspaper in the county adjoining.

SEC. 41. *And be it further enacted*, That every such association shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its outstanding notes of circulation and its deposits; and whenever the amount of its outstanding notes of circulation and its deposits shall exceed the above-named proportion for the space of twelve days, or whenever such lawful money of the United States shall at any time fall below the amount of twenty-five per centum of its circulation and deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange, payable at sight, nor make any dividend of its profits, until the required proportion between the aggregate amount of its outstanding notes of circulation and its deposits and lawful money of the United States shall be restored: *Provided, however*, That clearing-house certificates, representing specie or lawful money specially deposited for the purpose of any clearing-house association, shall be deemed to be lawful money in the possession of any association belonging to such clearing-house holding and owning such certificates, and considered to be a part of the lawful money which such association is required to have, under the foregoing provisions of this section: *Provided, further*, That any balance due to any association organized under this act in other places from any association in the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans, in good credit, subject to be drawn for at sight and available to redeem their circulating notes and deposits, may be deemed to be a part of the lawful money which such association, in other places than the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans, is required to have by the foregoing provisions of this section to the extent of three-fifths of the said amount of twenty-five per centum required. And it shall be competent for the Comptroller of the Currency to notify any such association whose lawful money reserve, as aforesaid, shall fall below said proportion of twenty-five per centum, to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money of the United States, the Comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of such association, as provided in this act.

SEC. 42. *And be it further enacted*, That no association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in, and remain-

ing undiminished by losses or otherwise, except on the following accounts, that is to say:

First. On account of its notes of circulation.

Second. On account of moneys deposited with, or collected by, such association.

Third. On account of bills of exchange or drafts drawn against money actually on deposit to the credit of such association, or due thereto.

Fourth. On account of liabilities to its stockholders, for money paid in on capital stock, and dividends thereon, and reserved profits.

SEC. 43. *And be it further enacted*, That no association shall, either directly or indirectly, pledge or hypothecate any of its notes of circulation, for the purpose of procuring money, to be paid in on its capital stock, or to be used in its banking operations, or otherwise.

SEC. 44. *And be it further enacted*. That no association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in form of dividends, loans to stockholders for a longer time than six months, or in any other manner, any portion of its capital. And if losses shall at any time have been sustained by any such association equal to or exceeding its undivided profits then on hand, no dividend shall be made; and no dividend shall ever be made by any association, while it shall continue its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. And all debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same shall be well secured, and shall be in process of collection, shall be considered bad debts within the meaning of this act.

SEC. 45. *And be it further enacted*, That the directors of every association shall, semi-annually, in the months of May and November, declare a dividend of so much of the profits of such association as they shall judge expedient; and on each dividend day the cashier shall make and verify by his oath, a full, clear, and accurate statement of the condition of the association, as it shall be on that day after declaring the dividend; which statement shall contain—

First. The amount of the capital stock actually paid in and then remaining, as the capital stock of such bank or association.

Secondly. The amount of the circulating notes of such bank or association then in circulation.

Thirdly. The greatest amount in circulation at any time since the making of the last previous statement, as shall have been exhibited by the weekly statements of the cashier, specifying the times when the same occurred.

Fourthly. The amount of balances and debts of every kind due to other banks and banking associations.

Fifthly. The amount due to depositors.

Sixthly. The total amount of debts and liabilities of every description, and the greatest amount since the making of the last previous statement, specifying the time when the same accrued.

Seventhly. The total amount of dividend declared on the day of making the statement.

Eighthly. The amount of lawful money of the United States belonging to the association and in its possession at the time of making the statement.

Ninthly. The amount subject to be drawn at sight, in lawful money of the United States, then remaining on deposit with any associations, banks, or bankers; specifying the amounts so on deposit in the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans.

Tenthly. The amount then on hand of bills or notes, issued by other banks and banking associations.

Eleventhly. The amount of balances due from other banks, bankers, and banking associations, excluding deposits subject to be drawn at sight as aforesaid.

Twelfthly. The amount on hand of bills, bonds, stocks, notes, and other evidences of debts, discounted or purchased by the association, specifying particularly the amount of suspended debt, the amount considered bad, the amount considered doubtful, and the amount in suit or judgment.

Thirteenthly. The value of the real and personal property held for the convenience of the association, specifying the amount of each.

Fourteenthly. The amount of real estate taken in payment of debts due to the association.

Fifteenthly. The amount of the undivided profits of the association.

Sixteenthly. The total amount of the liability to the association by the directors thereof, collectively, specifying the gross amount of such liabilities as principal debtors, and the gross amount as indorsers or sureties.

The statement thus made shall forthwith be transmitted to the Comptroller of the Currency.

SEC. 46. *And be it further enacted*, That every association may take, reserve, receive, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, such rate of interest or discount as is for the time the established rate of interest for delay in the payment of money, in the absence of contract between the parties, by the laws of the several States in which the associations are respectively located, and no more: *Provided, however*, That interest may be reserved or taken in advance, at the time of making the loan or discount, according to the usual rules of banking; and the knowingly taking, reserving, or charging of a rate of interest greater than that allowed by this section shall be held and adjudgeda forfeiture of the debt or demand on which the same is taken, reserved, or charged; but the purchase, discount, or sale of a bill of exchange, drawn on actually existing values, and payable at another place than the place of such purchase, discount, or sale, at the current discount or premium, shall not be considered as taking, reserving, or charging interest.

SEC. 47. *And be it further enacted*, That the total liabilities of any person, or of any company or firm, (including in the liabilities of a

company or firm the liabilities of the several members thereof,) to any association, including liabilities as acceptor of bona fide bills of exchange, payable out of the State where the association is located, shall at no time exceed one-third; exclusive of liabilities as acceptor, one-fifth; and exclusive of liabilities on such bills of exchange, one-tenth part of the amount of the capital stock of such association actually paid in.

SEC. 48. *And be it further enacted*, That no association shall, at any time, pay out on loans or discounts, or in purchasing drafts or bills of exchange, or in payment of deposits, nor shall it in any other mode put in circulation the notes of any bank or banking association, which notes shall not, at any such time, be receivable, at par, on deposit, and in payment of debts by the association so paying out or circulating such notes; nor shall it knowingly pay out or put in circulation any notes issued by any bank or banking association which at the time of such paying out or putting in circulation is not redeeming its circulating notes in lawful money of the United States.

SEC. 49. *And be it further enacted*, That all transfer of the notes, bonds, bills of exchange, and other evidences of debt owing to any association, or of deposits to its credit; all assignments of mortgages, sureties on real estate, or of judgments or decrees in its favor; all deposits of money, bullion, or other valuable thing for its use, or for the use of any of its shareholders or creditors; and all payments of money to either, made after the commission of an act of insolvency, or in contemplation thereof, with a view to prevent the application of its assets in the manner prescribed by this act, or with a view to the preference of one creditor to another, except in payment of its circulating notes, shall be utterly null and void.

SEC. 50. *And be it further enacted*, That if the directors of any association shall knowingly violate, or knowingly permit any of the officers, agents or servants of the association to violate, any of the provisions of this act, all the rights, privileges, and franchises of the association, derived from this act, shall be thereby forfeited. Such violation shall, however, be determined and adjudged by a proper circuit, district, or territorial court of the United States, before the association shall be declared dissolved. And in cases of such violation, every director who participated in or assented to the same shall be held liable in his personal and individual capacity for all damages which the association, its shareholders, or any other person, shall have sustained in consequence of such violation.

SEC. 51. *And be it further enacted*, That the Comptroller of the Currency, with the approbation of the Secretary of the Treasury, as often as shall be deemed necessary or proper, shall appoint a suitable person or persons to make an examination of the affairs of every banking association, which person shall not be a director or other officer in any association whose affairs he shall be appointed to examine, and who shall have power to make a thorough examination into all the affairs of the association, and, in doing so, to examine any of the officers and agents thereof on oath, and shall make a full and detailed report of the condition of the association to the Comptroller; and the

association shall not be subject to any other visitorial powers than such as are authorized by this act, except such as are vested in the several courts of law and chancery. And every person appointed to make such examination shall receive for his services at the rate of five dollars for each day by him employed in such examination, and two dollars for every twenty-five miles he shall necessarily travel in the performance of his duty, which shall be paid by the association by him examined.

SEC. 52. *And be it further enacted*, That every president, director, cashier, teller, clerk, or agent of any association, who shall embezzle, abstract, or wilfully misapply any of the moneys, funds, or credits of the association, or shall, without authority from the directors, issue or put in circulation any of the notes of the association, or shall, without such authority, issue or put forth any certificate of deposit, draw any order or bill of exchange, make any acceptance, assign any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or shall make any false entry in any book, report, or statement of the association, with intent, in either case, to injure or defraud any other company, body politic or corporate, or any individual person, or to deceive any officer or agent appointed to examine the affairs of any such association, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment not less than five nor more than ten years.

SEC. 53. *And be it further enacted*, That the president and cashier of every such association shall cause to be kept at all times a full and correct list of the names and residences of all the shareholders in the association, in the office where its business is transacted; and such list shall be subject to the inspection of all the shareholders and creditors of the association during business hours of each day in which business may be legally transacted; and a copy of such list, verified by the oath of such president or cashier, shall, at the beginning of every year, be transmitted to the Comptroller of the Currency, commencing on the first day of the first quarter after the organization of the association.

SEC. 54. *And be it further enacted*, That the Secretary of the Treasury is hereby authorized, whenever, in his judgment, the public interest will be promoted thereby, to employ any of such associations, doing business under this act, as depositaries of the public moneys, except receipts from customs.

SEC. 55. *And be it further enacted*, That all suits and proceedings arising out of the provisions of this act, in which the United States or its officers or agents shall be parties, shall be conducted by the district attorneys of the several districts, under the direction and supervision of the Solicitor of the Treasury.

SEC. 56. *And be it further enacted*, That every person who shall mutilate, cut, deface, disfigure, or perforate with holes, or shall unite or cement together, or do any other thing to any bank bill, draft, note, or other evidence of debt issued by any such association, or shall cause or procure the same to be done, with intent to render such bank bill, draft, note, or other evidence of debt unfit to be

reissued by said association, shall upon conviction forfeit fifty dollars to the association who shall be injured thereby, to be recovered by action in any court having jurisdiction.

SEC. 57. *And be it further enacted*, That if any person shall falsely make, forge, or counterfeit, or cause or procure to be made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting, any note in imitation of, or purporting to be in imitation of, the circulating notes issued under the provisions of this act, or shall pass, utter, or publish, or attempt to pass, utter, or publish, any false, forged, or counterfeited note, purporting to be issued by any association doing a banking business under the provisions of this act, knowing the same to be falsely made, forged, or counterfeited, or shall falsely alter, or cause or procure to be falsely altered, or willingly aid or assist in falsely altering, any such circulating notes, issued as aforesaid, or shall pass, utter, or publish, or attempt to pass, utter, or publish as true, any falsely altered or spurious circulating note issued, or purporting to have been issued, as aforesaid, knowing the same to be falsely altered or spurious, every such person shall be deemed and adjudged guilty of felony, and being thereof convicted by due course of law, shall be sentenced to be imprisoned and kept at hard labor for a period not less than five years nor more than fifteen years, and to be fined in a sum not exceeding one thousand dollars.

SEC. 58. *And be it further enacted*, That if any person shall make or engrave, or cause or procure to be made or engraved, or shall have in his custody and possession any engraved plate or block after the similitude of any plate from which any circulating notes issued as aforesaid shall have been printed, with intent to use such plate or block, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any blank note or notes engraved and printed after the similitude of any notes issued as aforesaid, with intent to use such blanks, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any paper adapted to the making of such notes, and similar to the paper upon which any such notes shall have been issued, with intent to use such paper, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, every such person, being thereof convicted by due course of law, shall be sentenced to be imprisoned and kept to hard labor for a term not less than five nor more than fifteen years, and fined in a sum not exceeding one thousand dollars.

SEC. 59. *And be it further enacted*, That suits, actions, and proceedings by and against any association under this act, may be had in any circuit, district, or territorial court of the United States held within the district in which such association may be established.

SEC. 60. *And be it further enacted*, That it shall be the duty of the Comptroller of the Currency to report annually to Congress, at the commencement of its session—

First. A summary of the state and condition of every association from whom reports have been received the preceding year, at the

several dates to which such reports refer, with an abstract of the whole amount of banking capital returned by them, of the whole amount of their debts and liabilities, the amount of circulating notes outstanding, and the total amount of means and resources, specifying the amount of specie held by them at the times of their several returns, and such other information in relation to said associations as, in his judgment, may be useful.

Second. A statement of the associations whose business has been closed during the year, with the amount of their circulation redeemed, and the amount outstanding.

Third. To suggest any amendment to the laws relative to banking by which the system may be improved, and the security of the bill-holders and depositors may be increased.

Fourth. To report the names and compensation of the clerks employed by him, and the whole amount of the expenses of the banking department during the year; and such report shall be made by or before the first day of December in each year, and the usual number of copies for the use of the Senate and House, and one thousand copies for the use of the department, shall be printed by the public printer and in readiness for distribution on the first meeting of Congress.

SECRETARY'S REPORT.

Extract from the report of the Secretary of the Treasury, submitted to Congress December, 1861.

To enable the government to obtain the necessary means for prosecuting the war to a successful issue, without unnecessary cost, is a problem which must engage the most careful attention of the legislature.

The Secretary has given to this problem the best consideration in his power, and now begs leave to submit to Congress the result of his reflections.

The circulation of the banks of the United States, on the 1st day of January, 1861, was computed to be $202,000,767. Of this circulation $150,000,000, in round numbers, was in States now loyal, including West Virginia, and $50,000,000 in the rebellious States. The whole of this circulation constitutes a loan without interest from the people to the banks, costing them nothing except the expense of issue and redemption and the interest on the specie kept on hand for the latter purpose; and it deserves consideration whether sound policy does not require that the advantages of this loan be transferred, in part at least, from the banks, representing only the interests of the stockholders, to the government, representing the aggregate interests of the whole people.

It has been well questioned by the most eminent statesmen whether a currency of bank notes, issued by local institutions under State laws, is not, in fact, prohibited by the national Constitution. Such emissions certainly fall within the spirit, if not within the letter, of the constitutional prohibition of the emission of bills of credit by the States, and of the making by them of anything except gold and silver coin a legal tender in payment of debts.

However this may be, it is too clear to be reasonably disputed that Congress, under its constitutional powers to lay taxes, to regulate commerce, and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transactions of commerce, and affects in so many ways the value of coin.

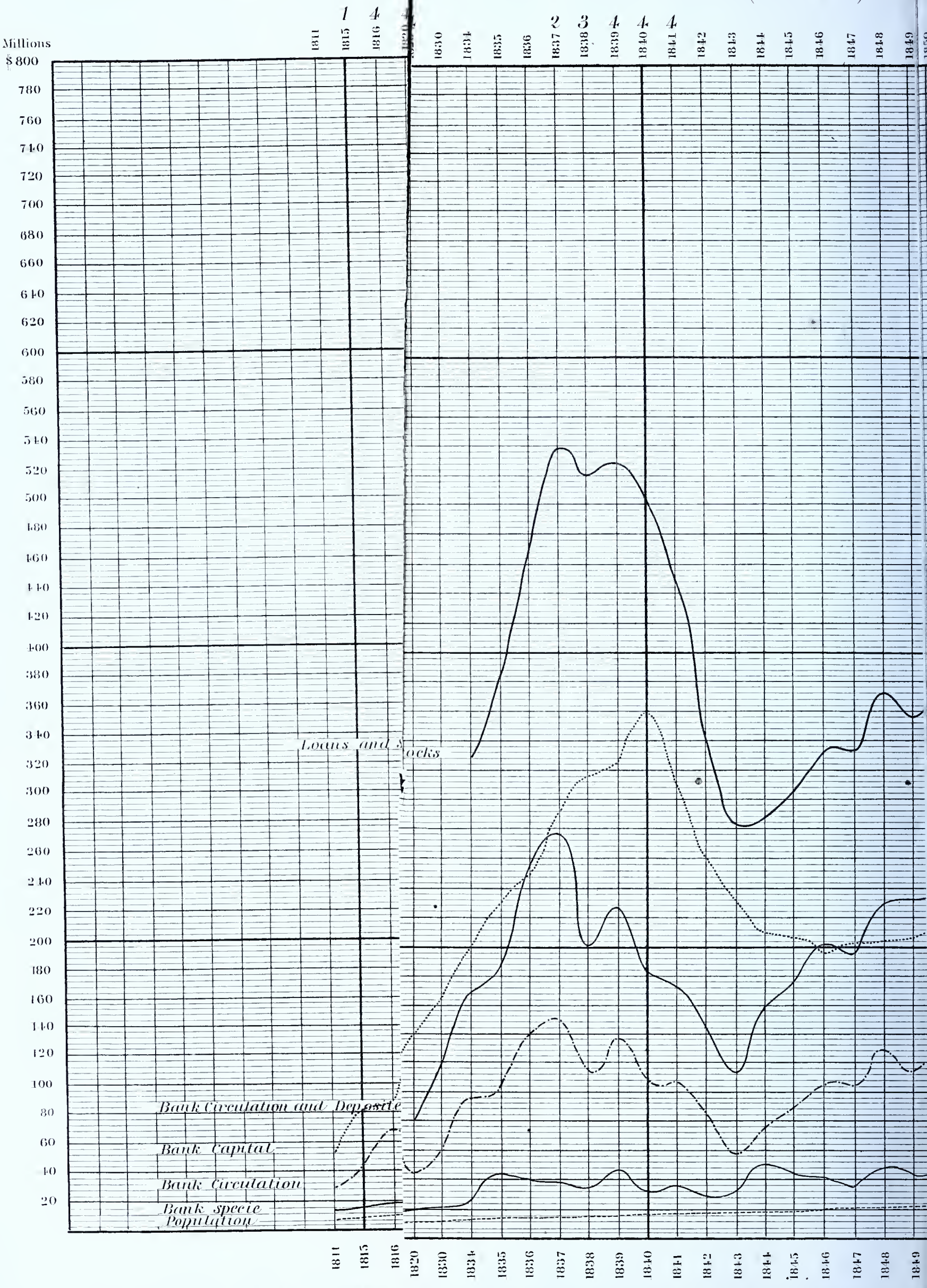
In the judgment of the Secretary, the time has arrived when Congress should exercise this authority. The value of the existing bank note circulation depends on the laws of thirty-four States and the character of some sixteen hundred private corporations. It is usually furnished in greatest proportions by institutions of least actual capital. Circulation, commonly, is in the inverse ratio of solvency. Well-founded institutions, of large and solid capital, have, in general, comparatively little circulation; while weak corporations

and
ry 1st

1851 1852

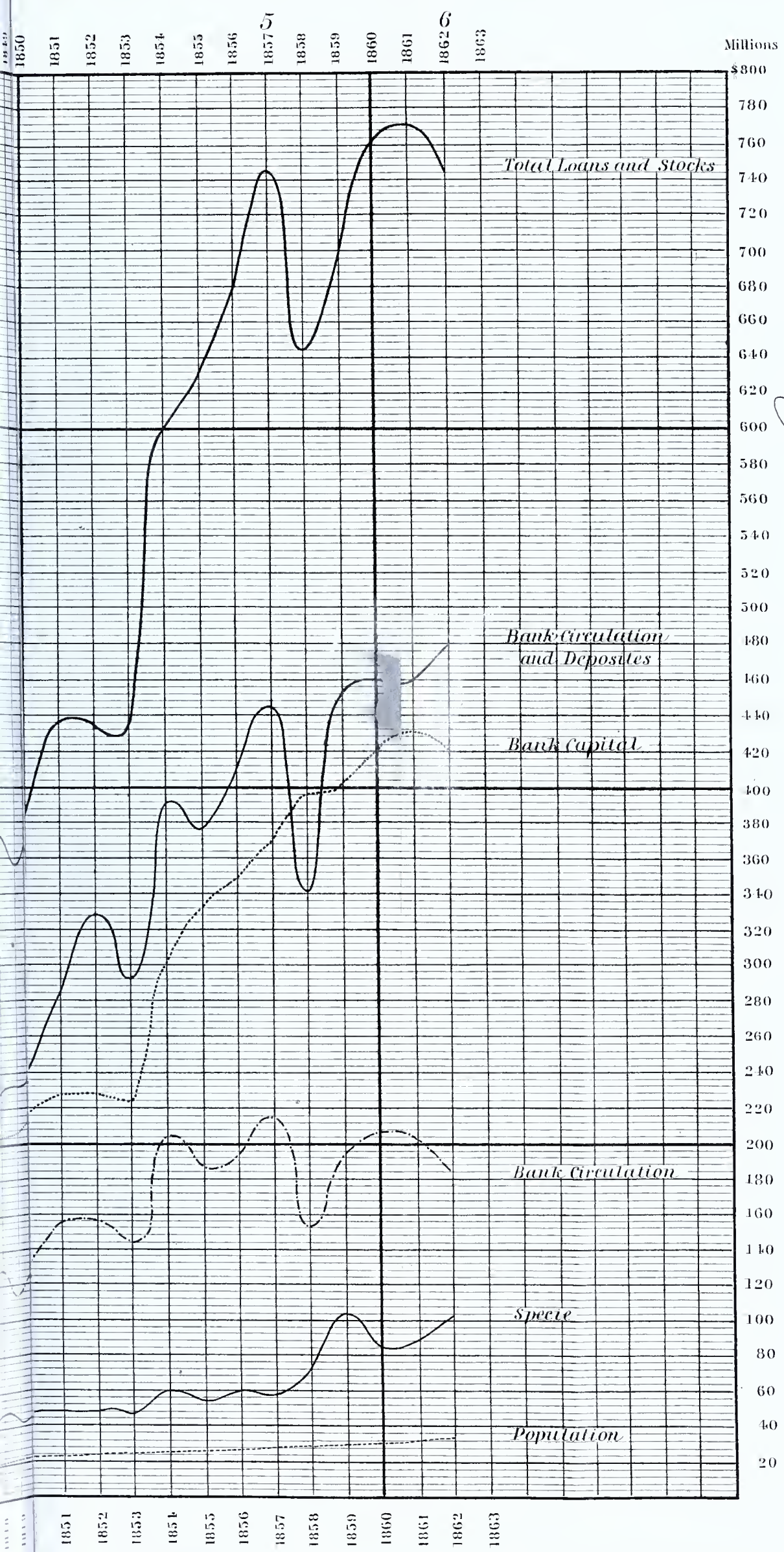
DIAGRAM

Showing the progress of bank capital; bank circulation; bank circulation investments in stocks); and accumulation of bank specie on (or near) Jan



1. Suspension general (New England excepted) August, 1814. 2. Suspen and New England, May, 1838. 4. Years of partial suspension. 5. Suspension

…n and deposits combined; bank loans (including
…ary 1st 1811, 1815, 1816, 1820. 1830. and 1834 to 1862.



…son general, May, 1837. 3. Resumption in New York
…eptember, 1857. 6. Suspension, December, 1862.

almost invariably seek to sustain themselves by obtaining from the people the largest possible credit in this form. Under such a system, or rather lack of system, great fluctuations, and heavy losses in discounts and exchanges are inevitable; and not unfrequently, through failures of the issuing institutions, considerable portions of the circulation become suddenly worthless in the hands of the people. The recent experience of several States in the valley of the Mississippi painfully illustrates the justice of these observations; and enforces by the most cogent practical arguments the duty of protecting commerce and industry against the recurrence of such disorders.

The Secretary thinks it possible to combine with this protection a provision for circulation safe to the community and convenient for the government.

Two plans for effecting this object are suggested: The first contemplates the gradual withdrawal from circulation of the notes of private corporations, and for the issue in their stead of United States notes, payable in coin on demand, in amounts sufficient for the useful ends of a representative currency. The second contemplates the preparation and delivery to institutions and associations of notes prepared for circulation under national direction, and to be secured as to prompt convertibility into coin by the pledge of United States bonds and other needful regulations.

The first of these plans was partially adopted at the last session of Congress, in the provision authorizing the Secretary to issue United States notes, payable in coin, to an amount not exceeding fifty millions of dollars. That provision may be so extended as to reach the average circulation of the country, while a moderate tax, gradually augmented, on bank notes, will relieve the national from the competition of local circulation. It has been already suggested that the substitution of a national for a state currency, upon this plan, would be equivalent to a loan to the government without interest, except on the fund to be kept in coin, and without expense, except the cost of preparation, issue, and redemption; while the people would gain the additional advantage of a uniform currency, and relief from a considerable burden in the form of interest on debt. These advantages are, doubtless, considerable; and if a scheme can be devised by which such a circulation will be certainly and strictly confined to the real needs of the people, and kept constantly equivalent to specie by prompt and certain redemption in coin, it will hardly fail of legislative sanction.

The plan, however, is not without serious inconveniences and hazards. The temptation, especially great in times of pressure and danger, to issue notes without adequate provision for redemption; the ever-present liability to be called on for redemption beyond means, however carefully provided and managed; the hazard of panics, precipitating demands for coin, concentrated on a few points and a single fund; the risk of a depreciated, depreciating, and finally worthless paper money; the immeasurable evils of dishonored public faith and

national bankruptcy—all these are possible consequences of the adoption of a system of government circulation. It may be said, and perhaps truly, that they are less deplorable than those of an irredeemable bank circulation. Without entering into that comparison, the Secretary contents himself with observing that, in his judgment, these possible disasters so far outweigh the probable benefits of the plan, that he feels himself constrained to forbear recommending its adoption.

The second plan suggested remains for examination. Its principal features are, (1st) a circulation of notes bearing a common impression and authenticated by a common authority; (2d) the redemption of these notes by the associations and institutions to which they may be delivered for issue; and (3d) the security of that redemption by the pledge of United States stocks, and an adequate provision of specie.

In this plan the people, in their ordinary business, would find the advantages of uniformity in currency; of uniformity in security; of effectual safeguard, if effectual safeguard is possible, against depreciation; and of protection from losses in discounts and exchanges; while in the operations of the government the people would find the further advantage of a large demand for government securities, of increased facilities for obtaining the loans required by the war, and of some alleviation of the burdens on industry, through a diminution in the rate of interest, or a participation in the profit of circulation, without risking the perils of a great money monopoly.

A further and important advantage to the people may be reasonably expected in the increased security of the Union, springing from the common interest in its preservation, created by the distribution of its stocks to associations throughout the country as the basis of their circulation.

The Secretary entertains the opinion that if a credit circulation in any form be desirable, it is most desirable in this. The notes thus issued and secured would, in his judgment, form the safest currency which this country has ever enjoyed; while their receivability for all government dues, except customs, would make them, wherever payable, of equal value, as a currency, in every part of the Union. The large amount of specie now in the United States, reaching a total of not less than two hundred and seventy-five millions of dollars, will easily support payments of duties in coin, while these payments and ordinary demands will aid in retaining this specie in the country as a solid basis both of circulation and loans.

The whole circulation of the country, except a limited amount of foreign coin, would, after the lapse of two or three years, bear the impress of the nation, whether in coin or notes; while the amount of the latter, always easily ascertainable, and, of course, always generally known, would not be likely to be increased beyond the real wants of business.

He expresses an opinion in favor of this plan with the greater confidence, because it has the advantage of recommendation from experience. It is not an untried theory. In the State of New York, and in one or more of the other States, it has been subjected, in its most

essential parts, to the test of experiment, and has been found practicable and useful. The probabilities of success will not be diminished, but increased, by its adoption under national sanction, and for the whole country.

It only remains to add that the plan is recommended by one other consideration, which, in the judgment of the Secretary, is entitled to much influence. It avoids almost, if not altogether, the evils of a great and sudden change in the currency by offering inducements to solvent existing institutions to withdraw the circulation issued under State authority, and substitute that provided by the authority of the Union. Thus, through the voluntary action of the existing institutions, aided by wise legislation, the great transition from a currency heterogeneous, unequal, and unsafe, to one uniform, equal, and safe, may be speedily and almost imperceptibly accomplished.

If the Secretary has omitted the discussion of the question of the constitutional power of Congress to put this plan into operation, it is because no argument is necessary to establish the proposition that the power to regulate commerce and the value of coin includes the power to regulate the currency of the country, or the collateral proposition that the power to effect the end includes the power to adopt the necessary and expedient means.

The Secretary entertains the hope that the plan now submitted, if adopted with the limitations and safeguards which the experience and wisdom of senators and representatives will, doubtless, suggest, may impart such value and stability to government securities that it will not be difficult to obtain the additional loans required for the service of the current and the succeeding year at fair and reasonable rates; especially if the public credit be supported by sufficient and certain provision for the payment of interest and ultimate redemption of the principal.

Extract from the report of the Secretary of the Treasury, submitted to Congress December, 1862.

The Secretary does not concur in the opinion entertained by some, whose ability and experience command deserved respect, that the aggregate currency of the country, composed of United States notes and notes of corporations, is at this moment greatly in excess of legitimate demands for its employment. Much less does he concur in another opinion, not unfrequently expressed, but expressed, in his judgment, without due consideration, that any actual excess is due to the issues of United States notes already in circulation.

It is true that gold commands a premium in notes; in other words, that to purchase a given amount of gold a greater amount in notes is required. But it is also true that, on the suspension of specie payments and the substitution for coin of United States notes, convertible into six per cent. specie bonds as the legal standard of value, gold became an article of merchandise, subject to the ordinary fluctuations of sup-

ply and demand, and to the extraordinary fluctuations of mere speculation. The ignorant fears of foreign investors in national and State bonds and other American securities, and the timid alarms of numerous nervous individuals in our own country, prompted large sacrifices upon evidences of public and corporate indebtedness in our markets, and large purchases of coin for remittance abroad or hoarding at home. Taking advantage of these and other circumstances tending to an advance of gold, speculators employed all the arts of the market to stimulate that tendency and carry it to the highest point. This point was reached on the 15th day of October. Gold sold in the market at a premium of $37\frac{5}{8}$ per cent.

That this remarkable rise is not due wholly, or even in greatest part to the increase of the currency, is established beyond reasonable doubt by considerations now to be stated:

First. The whole quantity of circulation did not, at the time, greatly, if at all, exceed the legitimate demands of payments. On the 1st day of November, 1861, the circulation of United States notes, including credits to disbursing officers and to the Treasurer of the United States, was $15,140,000. On the 1st day of November, 1862, it was, with like inclusions, $210,104,000. Of corporate notes, on the 1st of November, 1861, the circulation in the loyal States was, according to the best estimates, $130,000,000; on the 1st of November, 1862, it was $167,000,000. The coin in circulation, including the coin in banks, was probably not less, on the 1st of November, 1861, than $210,000,000. On the 1st of November, 1862, the coin had been practically demonetized and withdrawn from use as currency or as a basis for currency, and is therefore not estimated. The aggregate circulation of the loyal States, therefore, was, at the first date, $355,140,000; and at the second only $377,104,000.

Secondly. The whole, or nearly the whole, increase in the volume of the currency which has taken place was, it is believed, legitimately demanded by the changed condition of the country in the year between the two dates. The activity in business which, at the close of that year, had taken the place of the general stagnation which marked its beginning, and the military and naval preparations and movements which had vastly augmented the number and amounts of payments to be made in money, have, it is believed, legitimately demanded nearly or quite the whole of it.

That such is the case may be reasonably inferred from the fact that the prices of many of the most important articles of consumption have declined or not materially advanced during the year. Wheat, quoted at $1 38 to $1 45 per bushel on the 1st of November, 1861, was quoted at $1 45 to $1 50 on the 1st of November, 1862. Prime mess pork, on the 1st of November, 1861, was quoted at $15 to $15 50 per barrel, and on the 1st of November, 1862, at $12 50 to $13. Corn sold on the 1st of November, 1861, at 62 to 63 cents per bushel, and on the 1st of November, 1862, at 71 to 73 cents. A comparison between the prices of hay, beef, and some other staples of domestic produce at the two dates, exhibits similar conditions of actual depression in price or moderate rise.

Thirdly. It is, perhaps, still more conclusive against the theory of great redundancy that on the 15th day of October, when the aggregate actual circulation, national and corporate, was about $360,000,000, the premium on gold was $37\frac{5}{8}$; whereas, on the 29th day of November, when the circulation had increased by more than twenty millions, the premium on gold was 29 to 30 per cent.

But if the fact of considerable redundancy in circulation be conceded, it by no means follows that it is the circulation of United States notes which is redundant.

It must be remembered that the law confines national payments and receipts to coin and notes of the United States. Officers of the treasury, officers of the army and navy, all officers of all departments, must observe and enforce this law. For all payments to be made in behalf of the United States, in case of inability to obtain coin, United States notes *must* be issued. It is, indeed, the duty of the legislature to see that the purchasing power of these notes is kept as nearly as possible equal to the purchasing power which gold would have had if specie payments had been maintained; but the issue and use of the notes is unavoidable, and the government can resort to borrowing only when the issue has become sufficiently large to warrant a just expectation that loans of the notes can be had from those who hold or can obtain them at rates not less advantageous than those of coin loans before suspension. The difficulty which the takers of the recent loan of $13,613,450 found in obtaining United States notes with which to meet their engagements to the treasury is very instructive on this head. It points, indeed, directly to the conclusion that loans of United States notes, in sufficient amounts to meet the disbursements of the government, could not now be obtained at rates which a due regard to the interests of the tax-payers would permit the Secretary to accept. Whatever may be said of the aggregate circulation, it cannot, then, be successfully maintained that the circulation of United States notes is excessive. When extended to the limits authorized by existing laws, it will be no larger than the wants of the people and the government imperatively demand.

If there be a considerable redundancy then; if there be a considerable real depreciation of the circulation—which is by no means admitted—what has caused the redundancy and the depreciation?

The cause of all that exists is easily found in the statements of the banking corporations. The circulation of corporate notes increased during the year ending on the 1st of November, 1862, from $130,000,000 to $167,000,000. During the same time the volume of deposits, which answer very many of the purposes of circulation, had swelled from $264,000,000 to $344,000,000. The greater portion of this increase took place within the last seven months.

The augmentation of deposits always accompanies increase of circulation. Together they stimulate loans, and are, in turn, stimulated by the desire of the interest derived from loans. As might have been anticipated, loans increased, though not equally, with the circulation and deposits. From $607,000,000 on the 1st day of November, 1861, they had grown to $677,000,000 on the 1st day of November, 1862.

Here is an obvious and sufficient explanation of whatever undue expansion may have taken place. The Secretary has already expressed the opinion that the circulation is not greatly redundant, and that no considerable depreciation of currency has actually occurred. He thinks it sufficiently proved, however, that whatever there may of either is fairly attributable, not to the increase of United States notes, but to the increase of bank circulation and deposits.

It is to be observed that no law compelled and no public necessity required any enlargement of the volume of currency by the banks. On the contrary, there are, in some of the States, positive enactments by which the increase of circulation during suspension is prohibited; and the principle embodied in them is so obviously just, that well-managed institutions, when obliged to suspend, almost invariably, without the constraint of any law, reduce their circulation instead of augmenting it. In obedience to this principle, a reduction of bank circulation actually took place after the suspension in December. It was only when United States notes, having been made a legal tender, were diverted from their legitimate use as currency, and made the basis of bank circulation, that the great increase of the latter began. It was purely voluntary; prompted, doubtless, by the desire of extending accommodations to business as well as by the expectation of profit. No practical limit upon this increase has as yet been proposed by the parties interested in it.

The Secretary has already shown that the case was far otherwise with the circulation of United States notes. A condition had been created by the suspension which made loans of coin impossible. Loans of corporate notes, objectionable in themselves, were positively prohibited by a law not likely to be repealed. The extension of the United States note circulation, until sufficient in amount to enable the Secretary to obtain it from holders by way of loans, was equally inevitable. A practical limit on its increase is imposed by the judicious legislation of Congress, which makes the notes receivable for loans, and requires that the interest on bonds for loans shall be paid in coin.

Under these circumstances, the path of wisdom and duty seems very clear. It leads to the support of a United States note circulation, and to the reduction of the bank note circulation. A comparatively small reduction of the latter will allow ample room for the whole increase of the former authorized by existing laws; and as the reduction proceeds the increase may be extended, never, however, passing the point which admits the negotiation of loans at reasonable rates. The Secretary has heretofore advised the imposing of a moderate tax on corporate circulation, and now renews the recommendation as the best means of reduction and gradual substitution. Such a tax involves no hardships. Notes circulating as money cost nothing beyond the expense of production and supervision, and yet form a highly accumulative species of property. The necessities of the war have caused the taxation of almost all forms of value. Can there be a sound reason for exempting that which costs the proprietor least and brings him most?

It may be properly added that this desirable substitution of a cir-

culation, uniform in description and value, for a circulation varying widely in both, may, perhaps, be more easily and beneficially effected now than at any other time. The circulation of United States notes may greatly facilitate the payments to the banks through which their own notes must be withdrawn, and thus not only protect the community from the inconveniences, but the banks from the losses which might otherwise attend reduction.

It may also be added that when the substitution shall have been accomplished, and, perhaps, if circumstances favor, at an earlier period, payments in specie of United States notes may be resumed with less cost and less injury to business than would attend a like resumption in payment of corporate notes. With comparatively trivial sacrifice, the government can, whenever its expenditures are reduced to its revenue, provide, by loan or otherwise, all the coin needed to commence and maintain the resumption.

While the Secretary thus repeats the preference he has heretofore expressed for a United States note circulation, even when issued directly by the government, and dependent on the action of the government for regulation and final redemption, over the note circulation of the numerous and variously organized and variously responsible banks now existing in the country; and while he now sets forth, more fully than heretofore, the grounds of that preference, he still adheres to the opinion expressed in his last report, that a circulation furnished by the government, but issued by banking associations organized under a general act of Congress, is to be preferred to either. Such a circulation, uniform in general characteristics, and amply secured as to prompt convertibility by national bonds deposited in the treasury by the associations receiving it, would unite, in his judgment, more elements of soundness and utility than can be combined in any other.

A circulation composed exclusively of notes issued directly by the government, or of such notes and coin, is recommended mainly by two considerations:—the first derived from the facility with which it may be provided in emergencies, and the second, from its cheapness.

The principal objections to such a circulation as a permanent system are:—1st, the facility of excessive expansion when expenditures exceed revenue; 2d, the danger of lavish and corrupt expenditure, stimulated by facility of expansion; 3d, the danger of fraud in management and supervision; 4th, the impossibility of providing it in sufficient amounts for the wants of the people whenever expenditures are reduced to equality with revenue or below it.

These objections are all serious. The last requires some elucidation. It will be easily understood, however, if it be considered that a government issuing a credit circulation cannot supply, in any given period, an amount of currency greater than the excess of its disbursements over its receipts. To that amount it may create a debt in small notes, and these notes may be used as currency. This is precisely the way in which the existing currency of United States notes is supplied. That portion of the expenditure not met by revenue or loans has been met by the issue of these notes. Debt in this

form has been substituted for various debts in other forms. Whenever, thereore, the country shall be restored to a healthy normal condition, and receipts excced cxpcnditures, the supply of United States notes will be arrested, and must progressively diminish. Whatever demand may be made for their redemption in coin must hasten this diminution; and there can be no reissue; for reissue, under the conditions, necessarily implies disbursement, and the revenue, upon the supposition, supplies more than is needed for that purpose. There is, then, no mode in which a currency in United States notes can be permanently maintained, except by loans of them, when not required for disbursement, on deposits of coin, or pledge of securities, or in some other way. This would convert the treasury into a government bank, with all its hazards and mischiefs.

If these reasonings be sound, little room can remain for doubt that the evils certain to arise from such a scheme of currency, if adopted as a permanent system, greatly overbalance the temporary though not inconsiderable advantages offered by it.

It remains to be considered what results may be reasonably expected from an act authorizing the organization of banking associations such as the Secretary proposed in his last report.

The central idea of the proposed measure is the establishment of one sound, uniform circulation, of equal value throughout the country, upon the foundation of national credit combined with private capital.

Such a currency, it is believed, can be secured through banking associations organized under national legislation.

It is proposed that these associations be entirely voluntary. Any persons, desirous of employing real capital in sufficient amounts, can, if the plan be adopted, unite together under proper articles, and, having contributed the requisite capital, can invest such part of it, not less than a fixed minimum, in United States bonds, and, having deposited these bonds with the proper officer of the United States, can receive United States notes in such denominations as may be desired, and employ them as money in discounts and exchanges. The stockholders of any existing banks can, in like manner, organize under the act, and transfer, by such degrees as may be found convenient, the capital of the old to the use of the new associations. The notes thus put into circulation will be payable, until resumption, in United States notes, and, after resumption, in specie, by the association which issues them, on demand; and if not so paid will be redeemable at the treasury of the United States from the proceeds of the bonds pledged in security. In the practical working of the plan, if sanctioned by Congress, redemption at one or more of the great commercial centres will probably be provided for by all the associations which circulate the notes; and, in case any association shall fail in such redemption, the Treasurer of the United States will probably, under discretionary authority, pay the notes and cancel the public debt held as security.

It seems difficult to conceive of a note circulation which will combine higher local and general credit than this. After a few years no other circulation would be used, nor could the issues of the national

circulation be easily increased beyond the legitimate demands of business. Every dollar of circulation would represent real capital, actually invested in national stocks, and the total amount issued could always be easily and quickly ascertained from the books of the treasury. These circumstances, if they might not wholly remove the temptation to excessive issues, would certainly reduce it to the lowest point, while the form of the notes, the uniformity of devices, the signatures of national officers, and the imprint of the national seal, authenticating the declaration borne on each that it is secured by bonds which represent the faith and capital of the whole country, could not fail to make every note as good in any part of the world as the best known and best esteemed national securities.

The Secretary has already mentioned the support to public credit which may be expected from the proposed associations. The importance of this point may excuse some additional observations.

The organization proposed, if sanctioned by Congress, would require within a very few years, for deposit as security for circulation, bonds of the United States to an amount not less than $250,000,000. It may well be expected. indeed, since the circulation, by uniformity in credit and value, and capacity of quick and cheap transportation, will be likely to be used more extensively than any hitherto issued, that the demand for bonds will overpass this limit. Should Congress see fit to restrict the privilege of deposit to the bonds known as five-twenties, authorized by the act of last session, the demand would promptly absorb all of that description already issued and make large room for more. A steady market for the bonds would thus be established and the negotiation of them greatly facilitated.

But it is not in immediate results that the value of this support would be only or chiefly seen. There are always holders who desire to sell securities of whatever kind. If buyers are few or uncertain, the market value must decline. But the plan proposed would create a constant demand, equalling and often exceeding the supply. Thus a steady uniformity in price would be maintained, and generally at a rate somewhat above those of bonds of equal credit but not available to banking associations. It is not easy to appreciate the full benefits of such conditions to a government obliged to borrow.

Another advantage to be derived from such associations would be found in the convenient agencies which they would furnish for the deposit of public moneys.

The Secretary does not propose to interfere with the independent treasury. It may be advantageously retained, with the assistant treasurers already established in the most important cities, where the customs may be collected as now, in coin or treasury notes issued directly by the government, but not furnished to banking associations.

But whatever the advantages of such arrangements in the commercial cities in relation to customs, it seems clear that the secured national circulation furnished to the banking associations should be received everywhere for all other dues than customs, and that these associations will constitute the best and safest depositaries of the revenues derived from such receipts. The convenience and utility

to the government of their employment in this capacity, and often also as agents for payments and as distributers of stamps, need no demonstration. The necessity for some other depositaries than surveyors of ports, receivers, postmasters, and other officers, of whose responsibility and fitness, in many cases, nothing satisfactory can be known, is acknowledged by the provision for selection by the Secretary contained in the internal revenue act; and it seems very clear that the public interest will be secured far more certainly by the organization and employment of associations organized as proposed than by any official selection.

Another and very important advantage of the proposed plan has already been adverted to. It will reconcile, as far as practicable, the interests of existing institutions with those of the whole people.

All changes, however important, should be introduced with caution, and proceeded in with careful regard to every affected interest. Rash innovation is not less dangerous than stupefied inaction. The time has come when a circulation of United States notes, in some form, must be employed. The people demand uniformity in currency, and claim, at least, part of the benefit of debt without interest, made into money, hitherto enjoyed exclusively by the banks. These demands are just and must be respected. But there need be no sudden change; there need be no hurtful interference with existing interests. As yet the United States note circulation hardly fills the vacuum caused by the temporary withdrawal of coin; it does not, perhaps, fully meet the demand for increased circulation created by the increased number, variety, and activity of payments in money. There is opportunity, therefore, for the wise and beneficial regulation of its substitution for other circulation. The mode of substitution also may be judiciously adapted to actual circumstances. The plan suggested consults both purposes. It contemplates gradual withdrawal of bank note circulation, and proposes a United States note circulation, furnished to banking associations, in the advantages of which they may participate in full proportion to the care and responsibility assumed and the services performed by them. The promptitude and zeal with which many of the existing institutions came to the financial support of the government in the dark days which followed the outbreak of the rebellion is not forgotten. They ventured largely, and boldly, and patriotically on the side of the Union and the constitutional supremacy of the nation over States and citizens. It does not at all detract from the merit of the act that the losses, which they feared but unhesitatingly risked, were transmuted into unexpected gains. It is a solid recommendation of the suggested plan that it offers the opportunity to these and kindred institutions to reorganize, continue their business under the proposed act, and with little loss and much advantage, participate in maintaining the new and uniform national currency.

The proposed plan is recommended, finally, by the firm anchorage it will supply to the union of the States. Every banking association whose bonds are deposited in the treasury of the Union; every individual who holds a dollar of the circulation secured by such deposit; every merchant, every manufacturer, every farmer, every mechanic,

interested in transactions dependent for success on the credit of that circulation, will feel as an injury every attempt to rend the national unity, with the permanence and stability of which all their interests are so closely and vitally connected. Had the system been possible, and had it actually existed two years ago, can it be doubted that the national interests and sentiments enlisted by it for the Union would have so strengthened the motives for adhesion derived from other sources, that the wild treason of secession would have been impossible.

The Secretary does not yield to the phantasy that taxation is a blessing and debt a benefit; but it is the duty of public men to extract good from evil whenever it is possible. The burdens of taxation may be lightened and even made productive of incidental benefits by wise, and aggravated and made intolerable by unwise, legislation. In like manner debt, by no means desirable in itself, may, when circumstances compel nations to incur its obligations, be made by discreet use less burdensome, and even instrumental in the promotion of public and private security and welfare.

The rebellion has brought a great debt upon us. It is proposed to use a part of it in such a way that the sense of its burden may be lost in the experience of incidental advantages. The issue of United States notes is such a use; but if exclusive, is hazardous and temporary. The security by national bonds of similar notes furnished to banking associations, is such a use, and is comparatively safe and permanent; and with this use may be connected for the present, and occasionally, as circumstances may require, hereafter, the use of the ordinary United States notes in limited amounts.

No very early day will probably witness the reduction of the public debt to the amount required as a basis for secured circulation. Should no future wars arrest reduction and again demand expenditures beyond revenue, that day will, however, at length come. When it shall arrive, the debt may be retained on low interest at that amount, or some other security for circulation may be devised, or, possibly, the vast supplies of our rich mines may render all circulation unadvisable except gold and the absolute representatives and equivalents, dollar for dollar, of gold in the treasury or on safe deposit elsewhere. But these considerations may be for another generation.

The Secretary forbears extended argument on the constitutionality of the suggested system. It is proposed as an auxiliary to the power to borrow money; as an agency of the power to collect and disburse taxes; and as an exercise of the power to regulate commerce, and of the power to regulate the value of coin. Of the two first sources of power nothing need be said. The argument relating to them was long since exhausted and is well known. Of the other two there is not room nor does it seem needful to say much. If Congress can prescribe the structure, equipment and management of vessels to navigate rivers flowing between or through different States, as a regulation of commerce, Congress may assuredly determine what currency shall be employed in the interchange of their commodities, which is the very essence of commerce. Statesmen who have agreed in little else have

concurred in the opinion that the power to regulate coin is in substance and effect, a power to regulate currency, and that the framers of the Constitution so intended. It may well enough be admitted that while Congress confines its regulation to weight, fineness, shape, and device, banks and individuals may issue notes for currency in competition with coin. But it is difficult to conceive by what process of logic the unquestioned power to regulate coin can be separated from the power to maintain or restore its circulation, by excluding from currency all private or corporate substitutes which affect its value, whenever Congress shall see fit to exercise that power for that purpose.

The recommendations, now submitted, of the limited issue of United States notes as a wise expedient for the present time, and as an occasional expedient in future times, and of the organization of banking associations to supply circulation secured by national bonds and convertible always into United States notes, and after resumption of specie payments, into coin, are prompted by no favor to excessive issues of any description of credit money.

On the contrary, it is the Secretary's firm belief that by no other path can the resumption of specie payments be so surely reached and so certainly maintained. United States notes receivable for bonds bearing a secure specie interest are next best to notes convertible into coin. The circulation of banking associations organized under a general act of Congress, secured by such bonds, can be most surely and safely maintained at the point of certain convertibility into coin. If, temporarily, these associations redeem their issues with United States notes, resumption of specie payments will not thereby be delayed or endangered, but hastened and secured; for, just as soon as victory shall restore peace, the ample revenue already secured by wise legislation will enable the government, through advantageous purchases of specie, to replace at once large amounts, and, at no distant day, the whole, of this circulation by coin, without detriment to any interest, but, on the contrary, with great and manifest benefit to all interests.

The Secretary recommends, therefore, no mere paper money scheme, but, on the contrary, a series of measures looking to a safe and gradual return to gold and silver as the only permanent basis, standard and measure of values recognized by the Constitution—between which and an irredeemable paper currency, as he believes, the choice is now to be made.

No country possesses the true elements of a higher credit—no country, in ordinary times, can maintain a higher standard of currency and payment than the United States.

The government is less costly than that of most other great powers. The expenditures of the current fiscal year, excluding those of the War and Navy Departments, can hardly equal those of the last year, which amounted to $24,511,476 66. Estimating those of these departments at double the expenditures of the last year before the rebellion, they would, for the current year, had the war ended before last midsummer, as was anticipated at the date of the last

report, amount to the sum of $55,845,834 48. The interest on the public debt is, for the current year, estimated at $25,041,532 07, and will not, probably, go over that sum. The whole expenditures of the government for the current year, on the supposition of peace, would therefore, not exceed $105,371,843 21. This aggregate must be increased hereafter by the addition of interest on the loans of the current and future years and by pensions, the precise amount of which cannot be foreseen. Estimate the former at fifty, and the latter at ten millions a year, and the total annual expenditures in peace will reach, omitting fractions, to $165,000,000. The expenditures of Great Britain during the year ending March 31, 1862, were $364,436,682; those of France for 1862, according to French official estimates, will reach $421,823,900, and the annual expenses of Russia, according to the best accessible information, do not fall short of $230,000,000.

To meet our annual expenditures, and to assure beyond contingency the punctual discharge of the interest of the public debt, and the creation of a sinking fund for its reduction, Congress has provided a revenue from customs even now reaching nearly seventy millions a year, and a revenue from internal duties which will not probably fall short of one hundred and fifty millions a year.

Without reckoning any other resources than those already provided, the revenue, therefore, will annually exceed the expenditures by fifty-five millions, which sum may be used for the reduction of the public debt. If, then, the war shall be continued, contrary to hope and expectation, to midsummer of 1864, and the public debt shall reach the utmost limit now anticipated of seventeen hundred and fifty millions of dollars, the excess of revenue will reduce that debt, during the first year of peace, more than three per cent.

But the American republic possesses immense resources which have not yet been called into contribution. The gold-bearing region of the United States stretches through near eighteen degrees of latitude, from British Columbia on the north to Mexico on the south, and through more than twenty degrees of longitude, from the eastern declivities of the Rocky mountains to the Pacific ocean. It includes two States, California and Oregon; four entire Territories, Utah, Nevada, New Mexico, and Washington; and parts of three other Territories, Colorado, Nebraska, and Dakota. It forms an area of more than a million of square miles, the whole of which, with comparatively insignificant exceptions, is the property of the nation. It is rich not only in gold, but in silver, copper, iron, lead, and many other valuable minerals. Its product of gold and silver during the current year will not probably fall very much, if at all, short of $100,000,000; and it must long continue gradually, yet rapidly, to increase. If this product be subjected to a reasonable seignorage, as suggested by some, or if, as suggested by others, the mineral lands be subdivided and sold in convenient parcels, with proper reservations in favor of the miners now in occupation of particular localities, a very considerable revenue may, doubtless, be obtained from this region without hardship to the actual settlers and occupiers.

And there are other mines than those of gold or silver, or copper

or iron, in the wide territory which includes the public lands of the United States. Every acre of the fertile soil is a mine which only waits for the contact of labor to yield its treasures; and every acre is opened to that fruitful contact by the Homestead Act. When the opportunities thus offered to industry shall be understood by the working millions of Europe, it cannot be doubted that great numbers will seek American homes, in order to avail themselves of the great advantages tended to their acceptance by American law. Every working man who comes betters the condition of the nation as well as his own. He adds in many ways, seen and unseen, to its wealth, its intelligence, and its power. It is difficult to estimate the contribution which immigration, properly encouraged by legislation and administration, will make to revenue; but, directly and indirectly, it cannot be reckoned as less than that which may be expected from the metallic products of the gold-bearing region.

With such resources at the disposal of the republic, no one need be alarmed lest the United States may become unable to pay the interest on its debt, or to reduce the principal to whatever point the public interest may indicate. The republic is passing through the pangs of a new birth to a nobler and higher life. Twice already she has paid off a national debt contracted for the defence of her rights; the obligations of that which she now incurs for the preservation of her existence will be not less sacredly fulfilled.

But while resources are thus ample, it is not the less the dictate of prudence and of good faith to a generous people that the greatest pains should be taken to reduce the public burdens to the lowest point compatible with justice to honest public creditors. Prodigality may exhaust the amplest resources and impair the firmest credit. To retrench superfluity; to economize expenditures; to adjust accurately measures to objects; to infuse resolute vigor and a just sense of responsibility into every department of public activity are not less important to credit and revenue than to general success in administration.

SEC. 61. *And be it further enacted*, That any banking association or corporation lawfully in existence as a bank of circulation on the first day of January, A. D. eighteen hundred and sixty-three, organized in any State, either under a special act of incorporation or a general banking law, may, at any time within ——— years after the passage of this act, become an association under the provisions of this act; that in such case the certificate of association provided for by this act shall be signed by the directors of such banking association or corporation, and, in addition to the specifications required by this act, should specify that such directors are authorized by the owners of two-thirds of the capital stock of such banking association or corporation to make such certificate of association, and such certificate of association shall thereafter have the same effect, and the same proceedings shall be had thereon as is provided for as to the other associations organized under this act. And such association or corporation thereafter shall have the same powers and privileges, and shall be subject to the same duties, responsibilities, and rules, in all respects,

as are prescribed in this act for other associations organized under it, and shall be held and regarded as an association under this act.

SEC. 62. *And be it further enacted*, That any bank or banking association authorized by any State law to engage in the business of banking, and duly organized under such State law at the time of the passage of this act, and which shall be the holder and owner of United States bonds to the amount of fifty per centum of its capital stock, may transfer and deliver to the Treasurer of the United States such bonds or any part thereof in the manner prescribed by this act, and, upon making such transfer and delivery, such bank or banking association shall be entitled to receive from the Comptroller of the Currency circulating notes as herein provided, equal in amount to eighty per centum of the amount of the bonds so transferred and delivered.

SEC. 63. *And be it further enacted*, That upon the failure of any such State bank or banking association to redeem any of its circulating notes issued under the provisions of the preceding section, the Comptroller of the Currency shall, when satisfied that such default has been made, and within thirty days after notice of such default, proceed to declare the bonds transferred and delivered to the Treasurer of the United States, and the same shall thereupon be forfeited accordingly; and thereupon the circulating notes which have been issued by such bank or banking association shall be redeemed and paid at the treasury of the United States, in the same manner as other circulating notes issued under the provisions of this act are redeemed and paid.

SEC. 64. *And be it further enacted*, That the bonds forfeited, as provided in the last preceding section, may be cancelled to an amount equal to the circulating notes redeemed and paid, or such bonds may be sold, under the direction of the Secretary of the Treasury, and after retaining out of the proceeds a sum sufficient to pay the whole amount of circulating notes for the redemption of which such bonds are held, the surplus, if any remains, shall be paid to the bank or banking association from which such bonds were received.

SEC. 65. *Be it further enacted*, That Congress reserves the right at any time to amend or repeal this act.